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ABSTRACT

This monograph describes the concept of school district contracts with teacher partnerships for educational services; taking the view of education as an industry, the document analyzes advantages, obstacles, and strategies of such a change. Section 1, "The Challenge," suggests that societal changes make an education industry outside the K-12 system attractive, although the industry's foundation is dependent on the public system. The section discusses the growing "non-school" education industry and recommends that entrepreneurial teachers be encouraged in order to retain talent. Section 2, "Constraints against Innovation within the Existing Structure," describes how regulations stifle teacher incentives. "The Creative Response: Entrepreneurism among Teachers," section 3, analyzes a partnership's legal aspects, contract terms, and the result of greater work environment control by teachers. Section 4, "Potential Obstacles to Implementation," explains that contracting need not compromise school conditions or the status of administrators and teacher organizations. The document recommends that partnerships be defined by law, that accountability reside with a partnership's certified teacher operators, and that students be protected through district evaluation of partnerships. Section 5, "Demonstrating the Idea's Effectiveness," discusses selection of a demonstration site. The summary concludes that a competitive, professional model for educational services provides a coherent mechanism of promoting excellence. (CJH)

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Jessica Shaten and Ted Kolderie

APRIL 1984

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CONTRACTING WITH TEACHER PARTNERSHIPS

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I. THE CHALLENGE

Education: A Multi-Billion Dollar Industry

In 1981, this country spent more than $103 billion for education in public primary and secondary schools alone. Another $77 billion were spent in private primary and secondary schools, private and public institutes of higher education, colleges, universities, and vocational and trade schools. American employers provide courses for training and retraining in occupational and basic skills for 5.2 million workers; another 2.3 million adults participate in educational activities provided by a small but growing cadre of private and public educational entrepreneurs. Education is a huge industry — dominated, but by no means exclusively represented, by public K-12 schools.

In the 1970's, K-12 enrollments began to decline. That trend will continue until the mid-1980's, when a moderate enrollment increase will appear at the elementary level. At the same time, because our economy increasingly depends on the management and transfer of information, the need for education beyond the K-12 years is expanding. Rapid advances in our ability to understand and communicate complex pieces of information have produced an immediate and growing need for the continual education and reeducation of mature workers in business, government, medicine, and the military. Education of these workers fosters its own growth, for their improved knowledge and understanding enable further advances to occur even more rapidly, thus automatically creating new pieces of information to teach to additional workers.

Advances in information-processing do not alter the subject content of learning needs at the K-12 level, for it is during their formative educational years that each new generation develops the basic skills necessary for future acquisition of advanced skills and knowledge. The changing economic and demographic profiles of our society stimulate a burgeoning education industry outside the K-12 system. The new industry, however, is totally dependent upon the K-12 system to provide the foundation for lifelong learning.

How Well Does the Public K-12 System Work?

A common refrain emerges from the flood of recent reports on American education: public K-12 schools are poor practitioners of the education trade. Standardized test scores are down, truancy and delinquency rates are up, and an embarrassingly large segment of the population cannot read, write, or compute at a level of proficiency required for successful performance in the work place.

Claiming that public education has been assigned the role of caretaker for society's ills, the traditional educational establishment insists it cannot possibly handle the tasks it has been given without additional financial resources. The authors of many of these new reports seem to agree, for their recommendations to lengthen the school day and year, stiffen requirements for teachers and students, and enforce discipline policies more stringently can be accomplished only by increasing expenditures.

It may be correct that the K-12 system cannot expand programs without an increase in funds, but it is worth pointing out that, over the past 20 years, while financial resources available to public schools increased at rates that exceeded enrollments and inflation, dissatisfaction with results persisted. There is no evidence to suggest that more resources applied in the same way will not continue to yield results already deemed unacceptable. As demands from other social services compete for scarce public resources, there will be less willingness to spend money on a system that is not living up to its expectations. Therefore, it is necessary to examine the structure of public education and to propose changes in it that will make better use of available resources by creating incentives for superior performance.

The Human Resources within the K-12 System

The K-12 system is fortunate to have within it a large number of dedicated and talented teachers, but the system's organizational structure discourages wise and productive use of their skills. Teachers, administrators, and school boards are locked into a paralysis of power and protections that inhibit excellence and encourage mediocrity.

Superior teachers attract motivated students who demand and usually receive more of the teachers' time and energy. Yet salary schedules disregard this exceptional effort in the determination of pay to individual teachers. The adoption and implementation of effective teaching strategies rarely bring financial reward and frequently draw hostility from less able colleagues. Proposals for new and innovative educational programs must be approved by the district's administrators, whose decision criteria tend to be based on administrative ease rather than pedagogical effectiveness. Unmet student needs become apparent only when angry parents complain at board meetings, and the survival of a program developed to meet these needs depends on the good will of an administrator, its relative position on lists of budgetary

priorities, and continued pressure from the community. The survival of innovative programs seems to depend less on quality and effectiveness than on the continued availability of surplus funds.

To the extent the K-12 system does succeed now, its effectiveness is due to its talented and dedicated teachers who have managed to disregard institutional impediments to good teaching and devote themselves to their students. We cannot assume, however, that talent and dedication are inexhaustible. The enrollment declines of the past decade, combined with higher contract settlements, already have forced fiscally responsible school boards to curtail programs and reduce staff. Use of the seniority system has meant that older, less energetic teachers have been required to shoulder the burdens of increased class sizes and non-teaching responsibilities, while younger teachers have been forced out of K-12 education altogether.

As enrollments increase over the next five to ten years, older teachers will be nearing retirement. The younger teachers who were fired will have found other (presumably more rewarding) forms of employment. The pool of university students from which new teachers traditionally have been drawn will have shrunk to smaller numbers than ever before. The public school system is in danger of losing the human talent which has been its strength for so long.

It is clear that changes will have to occur to loosen the organizational fetters that restrain educational excellence. Fortunately, precedents for alternative structures can be found within the education industry itself — that sector that has emerged to meet the rapidly growing education needs fostered by our information-dependent economy.

The Structure of the "Non-school" Education Industry

Private individuals and institutions increasingly are meeting their learning needs not in a formal "school" setting, but by purchasing services from entrepreneurs who have established businesses strictly for this purpose. The yellow pages in any major city's telephone directory now list tutoring services, special classes to prepare for equivalency exams, computer stores that teach as well as sell, learning consultants, language schools, driving schools, and industrial and trade institutes. Businesses spend large sums on in-service employee training conducted by permanent staff. We are seeing a sweeping trend of new vendors entering the education marketplace. They are not yet legitimized by legal definition, but they exist and provide services nonetheless, and they will continue to do so with increasing importance as the demand for post-school education accelerates.

What characterizes the education provided outside traditional schools? First, it arises to meet clearly perceived needs and would not remain if the needs did not exist. Second, providers' economic survival depends completely upon their ability to meet these needs: consequently, they are inspired

to create programs that accomplish their designated tasks. Third, vendors who satisfy their clients obtain professional and financial rewards; these conditions attract creative and talented individuals into the field. Competitive incentives toward excellence already operate within this portion of the education industry, if not in the formal public structure.

The education industry that flourishes outside formal schools is served by talented public school teachers only when they leave the system. These teachers, who have developed a wit and style for transmitting new information to large and small groups of people, should enjoy unlimited opportunities for professional growth as the education marketplace expands. But teachers are unable to take advantage of opportunities emerging in one segment of the industry without abandoning the other. They are bound by contract to a single client — the public school system, which monopolizes their time and energy. When the system does offer professional opportunities through in-service collaboration with business or government, it also ensures that exactly the same status and pay welcome the teacher who returns.

An entire range of entrepreneurial opportunities is completely cut off to teachers who remain within the system, which denies itself the benefits of their ambitious goals. The result is predictable: the talented, motivated, risk-taking teachers will leave the system, often to become entrepreneurs in the education industry that thrives outside it. Teachers who fear competition, opportunity, and risk will remain, possibly with hostility toward the external entrepreneurs, whose success and growth serve as visible proof of the public school system's inability to perform the job for which it was created.

The Challenge: Embrace the Entrepreneurial Trend

The challenge to public education is not to compete with or discourage aspiring entrepreneurial teachers, but to encourage them to operate within its own structure so that the benefits of their competitive drive to succeed can be captured internally. If the system does not rise to this challenge, public education will gradually lose the human talent which traditionally has been its strength. Presently, the public K-12 system offers teachers only one choice: work for a salary that rewards length, not quality, of service — or leave altogether. Permitting additional choices would create the potential for effectively combining the altruistic qualities now exhibited by the teaching cadre with the sharp drive toward excellence that entrepreneurial risk entails.

II. CONSTRAINTS AGAINST INNOVATION WITHIN THE EXISTING STRUCTURE

Three Stories

Consider the following three stories, which are composites of situations that actually exist in several locations throughout the United States.

1. The Urban Junior High School. Eight teachers who work in a large, urban junior high school are dedicated to teaching but their environment is contaminated by student fighting, drug abuse, family problems that spill over into school, a rigid bureaucracy that insists upon volumes of paperwork, and a local newspaper that features weekly articles on declining teacher competence. The teachers believe they could provide an enriching and worthwhile educational experience for a small group of their students if they could design an educational program around a sports theme, which they know would attract the students' interest. Their idea cannot be implemented within their district's organizational structure. If they want to give the idea a try, they'll have to start their own private school. This is a daunting prospect, particularly since the students for whom their program is intended come from the lowest socio-economic strata of the community. Who would pay for it? It seems their ideas are doomed to collect dust with the coffee cups in the teachers' lounge.

2. The Rural Town. For years, a small district in a rural town has had difficulty retaining qualified math and science teachers; it has relied upon teachers in other disciplines for the math education of 300 secondary school students each year. These teachers who have double-shifted are about to retire, and now the district must find a new staff with the same mixture of skills — which is unlikely — or must hire more teachers in order to staff each of the separate departments — which it can't afford. If the district does not offer a complete mathematics program, it will be penalized by reductions in state aid, further depleting its financial resources. Several parents and community business leaders who have sufficient numbers of university credits in mathematics, but lack teaching certificates, have volunteered to teach the necessary classes, with coaching from the retiring teachers. State law, however, prohibits teaching by non-certified instructors. The district sees as its only remaining option to close its school and consolidate with a neighbor. The townspeople fear this action will lead to the death of their community.

3. The Suburban Elementary School. During a summer workshop, two teachers of French and German in a moderately sized suburban district developed a series of advanced language classes for primary school students, using a combination of computer software and interactive television. A number of surrounding districts learned of their program, and expressed

interest in collaborating to allow their students access to the courses.

The district in which the teachers are employed is willing to "sell" coursework and instruction to the surrounding districts. The teachers themselves, however, are unhappy over the addition of new students to their existing workload, plus the extra preparation time required for classes with an unusual format. Other teachers also have pressured them not to do it, remarking that for every 20 students they take, they are costing some regularly employed teacher 20% of time. The curriculum remains unused. Worse, students lose the opportunity to study a language at the age at which they would learn it most easily.

III. THE CREATIVE RESPONSE: ENTREPRENEURISM AMONG TEACHERS

The sense of hopelessness in these three stories indicates an inability to conceptualize a coherent structural solution to each problem that would adopt internally the competitive incentives that characterize education outside the public schools. The situation is not hopeless. Coherent structural alternatives do exist and await implementation.

The Creation of Teacher Partnerships

For each of the situations described above, imagine that the teachers involved were to form themselves into a well-defined legal unit, which we shall call a "teacher partnership." The legal structure of the teacher partnership could be a corporation, partnership, or cooperative — whichever happens to be most advantageous, given the existing laws in particular states and the particular situations in which they are formed.

A teacher partnership in the first story would approach the superintendent of its district with a proposal to contract to teach as many children as the partnership could attract. In this scenario, the district would establish what the students are expected to learn in accordance with its educational goals and policies, and the teacher partnership would agree to meet these goals, using whatever strategies it found effective. Renewal of the contract would depend on the partnership's ability to satisfy the specified goals as well as continued voluntary participation by students.

In the second case, the district would decide to contract with a teacher partnership for the mathematics education of its 300 students. The partnership members, or managing directors, would be the retired and fully qualified teachers who chose to carry out the terms of the contract by utilizing the trained but non-certified individuals already available in the community.

The third partnership, to be formed by the two language teachers, establishes its own contractual relationship with the neighboring districts. The

partners in this situation would receive extra income when their program is used by additional students. The partnership also is eligible to apply for and receive supplementary state monies for the purpose of developing innovative curriculum. The proceeds from sales of their products would be divided, as contractually negotiated and specified, between the state as the investor and the partnership.

Changes in Structural Relationships

Contracting with teacher partnerships establishes a relationship between the district and the partnership — not the individual teachers or their bargaining representatives. The members of the partnership decide how income and tasks will be distributed among themselves. Their decisions are not determined or restricted by the district's criteria, only by their own, which may include the recognition of members' relative worth to the partnership as a whole. The members of the partnership choose their own colleagues: participating members are not assigned by the district. Conflicts between members are internal problems to be resolved within the partnership itself.

Some teachers may wish to work more or less time than others; their wishes are considered and acted upon by the partnership, not by the district or the state. It may be advantageous for the partnership to have some of its members involved only in classroom teaching, while others develop curriculum and while still others — perhaps paraprofessionals — perform routine paperwork tasks. Again, these decisions are made internally.

These conditions may seem trivially obvious to professionals such as lawyers, doctors and accountants, who routinely distribute income and tasks within their internal professional organizations and have complete control over the choice of colleagues with whom they work. Presently, teachers control none of these aspects of their working environment. *Teaching has lagged in recognition of its status as a profession precisely because authority for such professional decisions resides not with its practitioners, but with lay boards and/or state agencies.*

Terms of a Contract

Once a teacher partnership is formed, terms of a contract could be established any number of ways. For instruction that is based on a unique pedagogy, as in the first story, the contract may provide for the partnership to be reimbursed on a per-pupil basis, for as many students as it can attract.

The second district, which needs to contract for the entire mathematics education of its secondary school students, may announce what the contract is worth and invite competing bids. Partnerships which develop curriculum products, as in the third story, could set either a price for sale of the curriculum or a usage fee.

A contract may specify that partnerships rent space, purchase student

transportation, or obtain other services from the contracting district. The model can be applied in a variety of situations, but the fundamental and necessary components it must contain are: (1) a group of teachers organized as alegally well-defined unit who control the distribution of tasks and income and selection of colleagues; and (2) contracts established between school districts and partnerships which identify the district's needs, specify desired outcomes for the contract, and indicate the means by which outcomes will be evaluated.

What are the Advantages to Contracting?

For The Teachers. The option to form partnerships which contract to provide services allows teachers to take advantage of professional and financial opportunities which the tyranny of time within the traditional school day prevents. Since control over hours and activities resides within the group, teachers are free to redesign their collective schedules to allow them to develop instructional programs that enhance their ability to serve a variety of clients. Direct incentives exist for the partners to devote portions of both their collective and individual time to retraining, since it is to the partnership's overall advantage to maintain diverse skills and up-to-date expertise.

Control by the members over time and activities also permits partnerships to function in that portion of the education industry which serves clients outside the public schools — primarily adults. This freedom increases the teachers' pool of potential clients, creates room for additional talented teachers to enter the profession, and supplies adults with capable and seasoned instructors.

For Students and Their Families. Partnerships must satisfy their students as well as the districts if their contracts are to be renewed. This element of risk ensures the greatest likelihood that students will receive the best educational expertise available. Ideas that work will be refined and adopted by other teachers and partnerships, while ideas that don't work will be discarded. No child will be forced to remain in an unsuitable program, no program will continue if not successful at meeting the children's needs.

Contracting provides flexibility in responding to student demands. If enrollment for a particular program exceeds its original capacity, the partnership can expand its operations — and retain the financial reward for creating successful educational strategies. Increased demand for successful programs also will result in the formation of new, competing partnerships seeking a portion of the market. Superior programs no longer will be characterized by waiting lists; the elasticity of the option accommodates whatever the demand of students may be for education that works.

Competing partnerships must distinguish themselves from one another if they wish to be chosen for contracts. These distinctions will provide students with wider choices and options. Innovative ideas that would be too expensive

or too complicated to implement and test on a large scale can be made available as small demonstrations and adopted widely if shown to be successful.

Since student and family satisfaction is critical for a partnership's success, greater communication and cooperation between parents and teachers are likely to become the rule rather than the exception. Support from the home not only assists in the child's education (which reflects favorably upon the partnership), it removes the threat to the partnership of unexpected parent complaints to the district about its program.

For the Public Education System. The use of contracting allows the school system to develop independent evaluations of student learning and progress. Presently, the district is the single agency that sets goals, operates the system to meet the goals, and then evaluates the results. When any system's players are also its judges, reliable and unbiased assessment of effectiveness is impossible to obtain. Separating these roles enables the system to identify its unmet needs without concluding that it is failing in its duties. Relations with teachers will be characterized by their emphasis on quality and student outcomes, rather than by the disputes that attend labor-management negotiations. The system can evaluate programs and recommend their adoption or dismissal without threatening its own existence.

Contracting kindles a competitive spirit in which teacher partnerships seek to distinguish themselves as they vie for potential contracts and clients. Since contracts are renewed on the basis of the partnerships' effectiveness in meeting well-defined goals, strong incentives emerge for the partnerships to develop and implement high quality programs. The contracting mechanism enables the public education system to embrace entrepreneurial teachers and derive the benefits of their success.

IV. POTENTIAL OBSTACLES TO IMPLEMENTATION

What Makes Public Schools "Public?"

Opening up education to market forces gives rise to a concern that the "public" aspect of education may be jeopardized. Addressing this concern requires, first, that we identify precisely what makes public education public. We can then determine whether contracting compromises these conditions.

Education is identified as public by three fundamental conditions:

1. The system's governing body is publicly elected.
2. The system is supported primarily by public funds.
3. The system provides equal and fair access to education for all students within its jurisdiction.

The first and second conditions clearly are not altered by the use of a

contracting option. Contracting merely allows for the distinct separation of roles: policy-setting by the governing body and operations by contractors. This is already done routinely in government when state transportation departments contract for the construction of public roads, when the defense department contracts for the production of weapons, when the Veterans Administration contracts for physician services, and when city governments contract for auditing services. Even public schools sometimes contract for transportation, cafeteria, and/or custodial services, as well as special education for handicapped students, nursing, or physicians' services.

To date, school boards have retained control over classroom teaching. Perhaps this has been out of concern to maintain the third essential component of equal access to public education. In the process, however, the desire to secure "professionalism" in teaching has been thwarted.

The question now is whether the third aspect of public education will be compromised by the operation of teacher partnerships. This concern must be addressed in the context within which the contracting mechanism is used. The district has three options: (1) it may contract for the comprehensive education for some of its students (such as the partnership that wishes to teach using a sports theme); (2) it may contract for a portion of the education of all of its students (such as the entire mathematics program); or (3) it may contract for some of the education for some of its students (such as advanced placement languages).

In each case, student participation may be either voluntary or mandated by the district. If voluntary, contracts should state explicitly that participation be open to all applicants who meet entrance requirements, and that these requirements must be relevant to the nature of the program. For example, advanced placement applicants to study foreign languages must demonstrate they have mastered basic skills in the languages they wish to study. If demand should exceed the number of spaces available, contractors should be required to make selections randomly.

If participation is mandated by the district for some or all students, then it is the Board's responsibility to ensure that sufficient hetereogeneity occurs. The Board's responsibility to ensure equal educational opportunity cannot be abrogated by its contractual relationships. Whether participation is mandated or voluntary, the district retains final authority over enrollments, either through terms of the contract or by assigning students directly to specified programs.

Finally, it is worth noting again that contracting permits flexibility in meeting student demands. Students who wish to enter a program that temporarily is full need only wait for either the original partnership to make more spaces available or for a new partnership to form in recognition of their potential as a market. The principle of equal access is in no way compromised by this process. On the contrary, it is enhanced.

Loss of Absolute Power and Control by School Administrators

In the present structure of the public school system, the board hires the superintendent, who oversees principals, who oversee assistant principals and other administrative staff, who oversee teachers. Though teachers have the most direct impact on the quality of the students' education, they presently exercise the least control over organizational decisions.

Decisions ranging from time spent on curriculum units to the brand of chalk to be used usually are made at the district offices, and the consequences filter down through the ranks to the teachers. Many teachers resent this structure, finding it demeaning and unprofessional.

Administrators may perceive the contracting option as a threat to their power and control, which from their point of view, stabilizes the learning environment and ensures accountability. To address their concerns, it is important to understand administrators' present practical functions and the changes that would result from a different organizational arrangement.

Superintendents. The present organizational structure of most districts concentrates nearly all of the decisions affecting staffing and expenditures in the central district office. Contracting with a partnership would decentralize some of these decisions from district office to on-site control. By relinquishing control over routine administrative tasks, the superintendent is free to become the educational leader school districts require.

The superintendent is supposed to implement the educational goals and policies established by the school board. This is impossible when the superintendent's time is monopolized by managing daily operations. The transfer of management responsibilities would allow the superintendent to assess the needs of the student population within the district, report these needs to the board, recommend policies and goals for the board's adoption, search for the best means to meet these goals, evaluate the operations of the various groups who claim to be meeting the goals, and communicate the district's entire policy and operation to the general public. This is a role which ought to be welcomed by forward thinking educational leaders.

Principals. Principals, with the help of assistant principals, manage the school buildings. They are responsible for student and staff discipline, student transportation, building maintenance, supplies, cafeteria service, and countless other non-instructional features of building operations. In addition, they play a public relations role, answering comments and complaints from parents and the community, and facilitating sports, drama, and other extracurricular events.

Although principals theoretically are the school's educational leaders, in reality their time is primarily devoted to building management. The quality of their leadership often is measured by their lack of interference in the instructional program.

Contracting, therefore, does not change dramatically the actual function

of the school principal, nor does it make his or her job obsolete. Teacher partnerships are formed for instructional purposes, yet someone must manage the building. Contracting with teacher partnerships does not eliminate the principal's role; it defines it more clearly and realistically.

Concerns of the Teacher Organizations

The major organizations which represent teachers have struggled long and hard to secure protections for their members from arbitrary and capricious actions on the part of school boards and school administrators, and to achieve salaries that reflect their members' intelligence and worth. The organizations rightfully will object to changes in school structure which jeopardize these accomplishments, and contracting with teacher partnerships may be perceived to have this effect.

Adoption of the seniority system and the process of collective bargaining are the means by which teachers' strength has been achieved. The seniority and tenure systems protect both teachers and the general public against political favoritism and from threats to academic and intellectual freedom. Collective bargaining enables teachers to gain compensation that reflects their worth and, although settlements typically aren't as high as the organizations would like, in most states, teachers are not abused by low paychecks as they once were. Both mechanisms have their drawbacks: seniority sometimes protects the bad with the good, and collective bargaining sometimes leads to divisive strikes. Nevertheless, these mechanisms have helped make possible the existence of a stable, experienced teaching cadre, paid well enough to attract sufficient numbers of qualified personnel.

Both seniority and collective bargaining are arrangements which establish rules for relations between employees and employers. Neither arrangement is suitable for relations between contractors and clients. Teachers who choose to form partnerships must use other mechanisms to assure protections from arbitrary action and to receive fair compensation. This can be accomplished with precise, comprehensive, and well-written contracts that state clearly the rights and obligations of both partnerships and districts, the goals desired by the district, and the conditions under which a partnership's contract will not be renewed. The public should be well-informed when school boards review contracts to insure that decisions are based upon criteria that address student needs as well as fiscal realities.

The problem faced by teacher organizations is not providing protections for teachers who choose to form partnerships, but whether use of contracting will disrupt the seniority and collective bargaining process for those teachers who continue to work as employees. In times of fiscal restraint, a school board may decide to retain a partnership whose teachers are less senior than those placed on unrequested leave, and neither teachers organized as partners, nor partnerships as a whole would be included as part of the

bargaining unit when contract negotiations take place. Can the organizations represent the interests of teachers as partners, *and* as employees, or is there an inherent conflict of interest that will force them to choose one system over the other?

Precedents reveal that a combined use of hiring and contracting is not inherently incompatible. Many school districts that retain qualified special education teachers on their staffs also contract with other agencies for the special education required by their handicapped students. Public transportation departments hire employees for road maintenance and contract for road construction. Public utilities employ organized workers for routine operations and contract with organized workers for plant maintenance and repairs.

The conflict between employing and contracting does not arise in the final arrangement, but during the transition, as a system served entirely by hiring moves to one in which both hiring and contracting occur. In public education, the problems attending the transition phase could be greatly alleviated by increased awareness and planning. Over the next ten years, enrollment increases combined with waves of retirements will create needs for instruction that cannot be met as easily as those created by previous teacher shortages. There will be fewer college-age students, and greater competition for them, particularly as women enter newly available careers. This situation forces responsible school boards to examine their long range educational goals, and to determine the best way to accomplish them. Rather than automatically refilling vacancies, which increasingly will become more difficult to do, boards may choose some combination of hiring and contracting.

Contracting with teacher partnerships must be demonstrated as a viable option before boards responsibly can use it. It is during this demonstration phase that the most severe conflicts will occur. Divisiveness between teachers who choose one method of work over another should be avoided, and the teacher organizations can play a vital role in negotiating solutions to these temporary problems.

By taking a leadership role in facilitating the demonstration of contracting with teacher partnerships, the organizations will benefit in at least three ways. First, they will gain credibility in public forums by acknowledging problems and by supporting creative solutions. Second, their enhanced public image will reflect favorably upon their members, who will start to receive some of the positive public recognition they are due. Third, by representing teachers who work as partners as well as employees, they will increase their membership and consequently their strength.

Contracting with teacher partnerships addresses demographic and social issues which are here to stay. Technological changes have greatly expanded the ability of children to learn outside of school but, unless schools adapt to this change, only wealthy and socially advantaged children will have access to

this knowledge. Contracting with partnerships enables districts to access a variety of educational opportunities which would be practically impossible for the entire system to adopt. Retirements and enrollment increases will force districts to turn to contracting or an equivalent scheme to satisfy their needs. The only open question is whether or not districts will consider teacher organizations in their plans when they do. If teacher organizations seize the present opportunity to facilitate demonstration of contracting with teacher partnerships, they will ensure that they remain relevant to future discussions of educational change.

Needs for Statutory Change

Objections to the partnership concept may be reinforced by existing state law. Laws can be changed, however, and concerned citizens who wish to see the partnership mechanism adopted should collaborate with professional educators in an effort to inform legislators of the ways in which the contracting model can redress some of the public education system's structural deficiencies.

A blueprint for citizen action includes checking existing state laws to see whether the statutes explicitly prohibit contracting for instructional services. It is also important to examine provisions that define the powers of school boards and those which define the legal and contractual status of teachers in their employment relationships with the school boards. Where teachers are defined as public employees, statutes referring to public employees' labor relations will also apply. When analysis of present law is complete, the changes needed to facilitate contracting with teacher partnerships can be drafted and proposed.

A definition of a teacher partnership should be written into the law. This definition should include the reasons for which a partnership may form; the powers of a partnership with respect to entering into contracts, selling products, and borrowing money; and the limitations, if any, on the numbers and types of partners. It should be made clear within the definition that individuals who are affiliated with the partnership as partners or employees are not considered to be public employees even when the partnership contracts with a public agency.

Once a legal definition has been established, it can be referred to in other legislation. For example, if the statute which defines the powers of the school board states that a school board may hire necessary teachers, it could be amended to read: ". . . hire necessary teachers or contract with necessary teacher partnerships as defined in section . . ." Defining teacher partnerships in statute creates a legal justification and authority for districts to meet their instructional needs through the contracting mechanism. Defining legislation also establishes an identity for existing educational groups that could be considered teacher partnerships but now are lost in the confusion. In addi-

tion to strengthening these groups, a legal definition for teacher partnerships would alert businesses that provide professional support services — legal, accounting, insurance, marketing, advertising, and others — to potential new clients. Thus, those specialists would begin to develop a body of information relevant to the unique needs of teacher partnerships.

Accountability. It may be feared that contracting will allow unqualified personnel to enter the public education system, as partnerships may decide to use non-certified assistants. The partners in a law firm, who are all licensed attorneys, frequently are assisted by paralegal aides, consultants, and business managers in the practice of their profession. The partners in a medical clinic, who are all licensed doctors, frequently are assisted by nurses, nurse practitioners, and medical students.

Within the legal and health care systems, accountability resides with the licensed professionals who are the principal partners or owners of the practice, and so the use of assistants does not threaten the systems' integrity. The integrity of public education similarly can be assured by placing accountability for quality and performance in teaching with the fully certified teachers who are a partnership's principal operators.

As with the clients of lawyers and doctors, final protections for students and their families are obtained by the district's ability to evaluate the performance of a given partnership and to contract with a competitor if performance is unsatisfactory. From this perspective, contracting strengthens rather than diminshes accountability and quality control in the teaching profession.

Contracting Will Not Destroy the Positive Non-Instructional Features of Public Schools

Schools perform many non-instructional social functions, and teachers perform essential though non-instructional tasks. Districts will want to preserve these positive features of schools and ensure that structural realignment does not leave these tasks unattended. Foremost among them are extra-curricular activities, public relations, and student discipline. Student discipline and public relations presently are handled by administrators and would continue to be under most restructuring plans. Providing for extra-curricular activities in contract learning environments is unclear, although contracting for these services, too, is a likely option. Such reforms could eventually lead to a public school system in which the options for satisfying educational preferences and needs would be virtually limitless.

Another important consideration is to ensure continuity and stability of the children's learning environment. A potential objection to contracting is that the contractors would not develop a sense of loyalty to either the school or the students, particularly if the contracts are changed every year. This outcome is unlikely. Contractors would in fact have strong incentives to

establish positive rapport with students and their families, for their satisfaction is necessary to retain the contract.

Arbitrary cancellation or changes of contractors, however, must be avoided because of the detrimental effects on students. This can be addressed by clearly stating in the terms of the original contract the conditions under which non-renewal could occur. In addition, any contract will have as a component an evaluation mechanism, which further increases the protection for the student and parent.

The Will and Wit of Teachers

It may be argued that teachers have neither the inclination nor the ability to establish themselves in successful entrepreneurial ventures. Caution must be taken when generalizing about the profession as a whole. Presently, teachers with the will to become entrepreneurs have no outlet within the system to do so, and they are therefore hidden or they have left.

Furthermore, a recent survey by the National Education Association reports that only 20 percent of teachers within the school system today reported "job security" as a reason for entering the profession. Reasons consistently listed by greater numbers of teachers were the desire to work with young people, the value or significance of education in society, and the influence of family. None of these conditions is negatively affected by taking entrepreneurial risks. A desire for job security may be listed as a reason for remaining in the profession, but this may be a mental habit brought about by the environment of the existing system and not necessarily a character trait.

Teachers will, however, require help with their enterprise. Most of them will have spent the majority of their working lives as public employees on a fixed salary schedule and with a predictable set of tasks. They will be facing new challenges and decisions, including:

- Choosing the best legal structure for the partnership from the point of view of taxes, benefits, relations among the principal operators, and eligibility to receive grants and/or loans.
- Selecting an equitable compensation plan that recognizes individuals' differing abilities and worth to the partnership.
- Negotiating contracts.
- Raising start-up money through investments, grants, or loans.
- Marketing their services.
- Identifying and obtaining the proper and necessary insurance for their operation.
- Managing finances, including capital investments, distribution of costs and income (cash flow), and handling of personal and partnership taxes.
- Selecting and obtaining health and retirement benefits packages for their members.

Concerned citizens who have identified a group of teachers interested in trying a contracting option would do well to be aware of the difficulties such teachers will face. New teacher partnerships will need ongoing assistance with establishing sound business practices until contracting becomes commonplace. Lawyers will be needed to offer advice on establishing a workable legal structure and on filing necessary forms with state and federal agencies. Accountants can offer advice on money management. Business managers can help to select compensation plans and benefits packages. Philanthropic organizations that typically dedicate a portion of their budgets to aid for public schools can make some of these funds available to cover preliminary administrative costs in adopting a contracting option or to teacher partnerships for the development and testing of improved learning programs. Corporations that have an interest in education in their communities can establish venture capital funds to provide seed money for teacher partnerships.

In general, individuals and institutions with business experience can assist in the implementation of a contracting program by making their human and capital resources available to fledgling teacher partnerships.

V. DEMONSTRATING THE IDEA'S EFFECTIVENESS

The Criteria for Selection of a Demonstration Site

It is neither politically nor practically feasible to expect the adoption of such a new idea before it has been tested in a variety of demonstrations. Demonstrations reveal unanticipated problems that can be resolved before large scale adoption takes place. They also establish precedents and policies for interested teachers and districts to follow. A site which can be used effectively for demonstration purposes should have at least two of the following three components already in place:

1. A group of teachers eager to try new instructional ideas, possibly including the development of new curriculum and programming, but prevented from doing so by the structure of the school system or discouraged from doing so because the success of their ideas will not yield tangible rewards.
2. A superintendent within the same district who likes and trusts teachers and is willing to take risks which may include relinquishing certain administrative controls.
3. A school board that is facing problems which could be solved by contracting with partnerships.

Examples of Potential Sites

Chicago. Near Chicago, a former teacher turned entrepreneur decided that something had to be done for the students who drop out of public schools every year. These students were setting themselves up for a lifetime

either of low-paying, low-status jobs or crime. The former teacher proposed a learning alternative that used as its base computer-assisted instruction. The name of the program is Ombudsman. Ombudsman has a contract with 40 public school districts surrounding Chicago; thus, its students continue to be enrolled in the system, but they are educated at Ombudsman. Ombudsman receives per-pupil reimbursement for its activities.

This is a classic example of contracting; its problem is that it serves *only* that group of students which the system already has failed. These 40 school districts should consider contracting with other teacher/entrepreneurs to provide educational alternatives open to all of their students.

New York City. The five boroughs of New York are organized into 32 separate school districts that are governed by independent boards of education and superintendents. Each district is responsible for the elementary and junior high school education of the students within its jurisdiction, while the unified city district takes care of the high school program.

Several years ago, in District 4, East Harlem, several teachers approached the superintendent with an idea for a small, special school based on a particular theme which they felt would provide a superior educational experience for the students who enrolled. The superintendent supported their plan by providing space and by allowing students to elect to attend this school. It was so successful that, in subsequent years, more teachers decided to try forming their own schools.

Now, in 1984, there are more than 20 "alternative schools"; 25 percent of the district's students leave their neighborhoods every day to attend their alternative school of choice. Each school is organized around a special theme, such as learning through sports, maritime activities, or performing arts. The schools are small — 180 to 300 students each — and do not have a principal. Rather, a single teacher is designated as the school's director. If a school is not attended by a sufficient number of students, it is closed.

This example lacks one essential component of genuine contracting for service: incentive financing. Teachers still are paid according to their position on the district's salary schedule. Those affiliated with successful schools make no more or less money than those affiliated with not-so-successful schools. The directors are paid no more for performing their administrative responsibilities. The teachers affiliated with the alternative schools should consider forming a legal partnership and proposing a contract to District 4 for the services they are already providing.

Salt Lake City. Several schools in Salt Lake City are organized on the school-based management model. Decisions about management of school resources are made at the school site by a representative council of teachers, parents, and the principal. School-based management is an existing example of contracting in the sense that the school district contracts with the

representative body at a particular school for the education of that school's students.

At one school in Salt Lake City, the principal has extended this concept to non-academic as well as academic departments, so that each department controls its own budget. Accrued savings stay within the department and can be used however the department sees fit, contingent upon the principal's approval. The school, therefore, has subcontracted with each of the departments. The departments, however, do not control the distribution of their income or the selection of colleagues. The situation would become much more dynamic and successful if they did.

VI. SUMMARY

Education is a yearly multi-billion dollar industry that continues to grow. The public K-12 system dominates the industry. Recent studies of the public school system report that it has not been responding well to the demands placed upon it. Traditional educators within the system insist that lengthened school days and years, stiffened requirements for students and teachers, and strengthened disciplinary policies — all of which require additional financial resources — will solve the problems noted by the reports.

The education system already contains within it sufficient human and financial resources to accomplish its objectives,. but its organizational structure prevents excellence from emerging. Public education is challenged to adopt the competitive model exhibited by education entrepreneurs who serve clients outside the school system and to encourage teachers to compete professionally for public dollars as a way of promoting excellence. This entails a structural reorganization which is essential if the system is to thrive.

One mechanism by which this structural realignment can take place involves the formation of teacher partnerships with which public school districts may contract to meet instructional needs. The partnerships must be well-defined legal units that exercise internal control over distribution of income, tasks, and selection of colleagues. Terms of contracts would stipulate the outcomes desired for the affected students, as well as evaluation tools by which these outcomes are assessed.

The contracting option opens doors to professional growth and opportunity for teachers which otherwise would forever remain closed. It encourages the development and adoption of superior educational programs and creates an unprecedented elasticity and flexibility in meeting student demands for popular, effective programs. Contracting encourages communication and cooperation between parents and teachers. It frees superintendents from

routine administrative tasks in order to provide the kind of leadership a school system requires.

The contracting option does not jeopardize the public aspect of public schools. Rather, it separates the policy and operational functions of school governance, so that school boards can conduct genuine evaluations of the extent to which district goals are being met.

Contracting does not eliminate the need for principals or for superintendents; instead, it defines their roles more clearly and realistically. Teacher organizations may be disturbed by temporary conflicts arising between contracted and employed teachers but, by actively assisting to resolve these conflicts, they will ensure their continued participation in discussions and design of educational change.

Care must be taken that the social functions of schools be preserved, and that structural reorganizations do not harm the stability and consistency of the children's learning environment.

Demonstrations of the contracting option should be implemented at sites which already indicate trends in that direction. Three likely sites exist now in Chicago, New York, and Salt Lake City; others easily can be found.

Education customarily is not thought of as a business. Although the organizational structure of education is based on industrial models, much is made of the differences between education and business. Teaching people, however, does involve the management of resources to accomplish a purpose. Education is, in this sense, as much an industry as is transportation, communication, housing, or banking. As in other industries, some educational products and services are purchased with public dollars from private firms: student transportation, for example, and cafeteria and custodial services. Precedent suggests that public education could be well-served through mechanisms that allow contracting with independent providers of instructional services.

The challenge to public education is not to defend itself against attack from the community it serves, but to adopt the competitive and professional precedents established by other endeavors within that community. The formation of teacher partnerships that contract with school districts to provide educational services is an effective, coherent mechanism by which this adoption can take place.